Strategic Leadership Made the Difference at Priceline.com

Priceline.com, an auction and travel discounter focused on a name-you-own-price travel service, started in the dot-com boom, but in 2001, four years after its founding, it was near bankruptcy. It had tried to diversify into other online businesses besides travel such as name-your-own-price groceries and gasoline. However, this had caused it to burn through cash at an increasing rate, and Wall Street was in no mood to provide additional funding. Interestingly, in April 1999 during the boom, the stock price had reached a split-adjusted high of $974 per share. However, by October 2002 it had fallen to a mere $7 per share, when management sought a reverse one-for-six split. By 2010, however, Priceline had recovered and jumped 27 times its low to $185. If you had invested $10,000 in Priceline in March 2005, your stock value would have been $101,000 five years later.

After the September 11, 2001, terrorist attacks, the entire travel industry experienced a significant downturn, and the business models of many online travel brokers like Priceline were in doubt. Jeffrey H. Boyd became the CEO of Priceline in 2002 and sought to change Priceline’s fortune. Instead of continuing its focus on airline tickets, Boyd sought to rebuild the brand around hotel bookings and expand into Europe. Although many airlines were spiraling toward bankruptcy, the lodging and hotel business was not as bleak. Priceline cultivated stronger relationships with important brands such as Marriott and Starwood and gained control of TravelWeb, a joint venture owned by major hotel chains. This increased Priceline’s access to over 10,000 hotels. Priceline also lowered the fee that it received from hotels for facilitating bookings relative to other travel agents/brokers.

At the same time, Priceline sought to have William Shatner become the company spokesman. He had been a spokesman on their radio ads, but now they were moving into television ads. The ad campaign changed to focus on the “negotiator” ads. The character seems to do almost anything to get a bargain, and that has apparently resonated with the consumer.

Additionally, Boyd began focusing more on Europe through both new investment and acquisitions. For example, in 2004 Priceline purchased Britain’s Active Hotels, an online discount booking agency, and a year later purchased Booking.com, a Netherlands’ based booking agent. Big hotel chains were not as dominant in Europe, creating few larger pricing blocks and hence competitive openings for smaller travel agents. Priceline gave the smaller hotels an opportunity for broader coverage in the market at a cheaper price than other booking agents.

In 2007, Boyd sought to carry out a similar strategy in Asia as accomplished in Europe and purchased Agoda.com, a Bangkok-based online travel company specializing in discount hotel bookings across Asia and Australia, the Middle East, and Africa. By 2009, 61 percent of Priceline’s revenue came from international bookings in Europe and Asia, which far exceeded Expedia and Orbitz, its dominant online competitors.

Interestingly, its revenues shot up in 2008 as the economy began its downturn; because of the recession and due to its discount approach, demand actually increased for Priceline. Further expansion opportunities may be found in South America and the Middle East; however, the downturn in Europe, given the government debt crises, may present some financial turmoil for Priceline. However, “Priceline’s revenues are expected to grow 20 percent in 2010, compared with 11 percent at Expedia and 4 percent at Orbitz.” Thus, the future appears quite bright for Priceline even in poor economic times.